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THE ADMINISTRATION OF GASOLINE TAX REFUNDS AND EXEMPTIONS

Research Report No. 8

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EXTENT OF REFUNDS AND EXEMPTIONS

The largest single day-to-day problem of gasoline tax administration is the problem of gasoline tax refunds and exemptions. It is paradoxical that in the collection of a tax, the major administrative problem should be the return of part of the proceeds to the taxpayer, but so it is with the gasoline tax. One gasoline tax administrator has expressed the problem in the following words:[1]

> The question of refunds is a nightmare to all tax administrators. No matter how thoroughly you check or how many restrictions you place upon the applicant's claim, you know the state is being gypped.

About 1/10 of the total gallonage of gasoline sold in the 48 states and the District of Columbia is subject to refund or exemption as Table 1 shows:[2]

Of the 21,406,636,000 gallons of gasoline sold in 1938,
614,290,000 gallons were exempted from the tax,
leaving 20,792,346,000 gallons assessed for taxation,
of which 1,182,618,000 gallons were eligible for refunds,
leaving 19,609,728,000 gallons as the net amount taxed,
of which 105,107,000 gallons were taxed at special rates,
leaving 19,504,621,000 gallons taxed at the standard rate.

State by state, the refund and exemption problem takes on various shades of importance.[3] The number of gallons on which tax payment was either refunded or exempted ranged as high as 191,697,000 in California and 191,447,000 in Texas.[4] Twenty-two states each refunded or exempted taxes on 25,000,000 gallons or more. At least 10% of all gallonage sold in 19 states was subject to refund or exemption, and the proportion ranged as high as 30% in North Dakota, 27% in Kansas, 25% in South Dakota, and 24% in Montana. For the country as a whole the average was 9%, since 1,902,015,000 gallons out of a total gallonage sold of 21,406,636,000 escaped the standard gasoline tax through refunds or exemptions of one kind or another.

Actual refunds, not counting exemptions granted in the first instance, affected 6% of gallonage sold, or a total of 1,182,618,000 gallons. These refunds are increasing in total amount, though not as fast as total gasoline tax re-

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[1] All footnotes appear on pages 23 and 24.

ceipts. Gross receipts rose 48.2%, from $548,888,000 in 1932 to $818,576,000 in 1938, as compared with an increase in refunds of 30.4%, from $35,841,000 in 1932 to $46,723,000 in 1938.

The number of taxpayers' claims handled also shows how extensive is the refund and exemption problem. During 1938 there was an average of 90,000 refund claims paid per state. In Kansas a total of approximately 900,000 exemption claims were allowed.[5]

So prominent a part did this problem play in gasoline tax administration that the number of employes and the proportion of gasoline tax division budgets assigned to this work was a considerable part of the total.[6] The number of state employes administering refunds goes as high as 30 full-time employes in Ohio and 27 full-time plus 27 part-time employes in Michigan. Annual costs of administering refunds for those states reporting costs of administration ranged from $1,200 in Nebraska to $75,000 in Texas, while costs of administering the entire gasoline tax division ranged from $3,000 in New Hampshire and Vermont to $440,000 in Texas.

The figure for cost of administering refunds in some states is larger than that shown for the cost of the gasoline tax division because the administration of refunds is not always entirely in the gasoline tax division. For example, refund administration usually involves the use of legal services, which may be supplied by a separate agency.

GASOLINE USES ELIGIBLE FOR REFUND OR EXEMPTION

The gasoline tax statutes of the following 31 states and the District of Columbia provide exemptions or refunds for non-highway uses of gasoline:

Arizona	Maine	North Carolina
California	Maryland	North Dakota
Colorado	Massachusetts	Ohio
Connecticut	Michigan	Oregon
Delaware	Minnesota	Rhode Island
Dist. of Columbia	Mississippi	South Dakota
Idaho	Missouri	Texas
Illinois	Montana	Virginia
Indiana	Nevada	Washington
Iowa	New Hampshire	Wisconsin
Kansas	New Mexico	

The statutes of the following 15 states provide refunds or exemptions only for gasoline used in specified instances:

Arkansas	New Jersey	Tennessee
Florida	New York	Utah
Georgia	Oklahoma	Vermont
Louisiana	Pennsylvania	West Virginia
Nebraska	South Carolina	Wyoming

The federal government exempts sales by gasoline producers to other gasoline producers, sales for resale to states or their political subdivisions, sales for export or for use as ships' stores, sales to commercial fishermen, and sales of gasoline or benzene or similar products for uses other than in motor vehicles, motor boats, or airplanes.

The uses of gasoline which account for most of the state refunds and exemptions are:

agriculture	railroads and boats
industries and manufacturing	power generating machines
contracting and construction	exports
governmental	cleaning and dyeing
aviation	

Of these various uses, gasoline used for agricultural purposes accounts for a large part of the total amount of refunds. Statistics for nine states indicate that in at least one state almost all refunds went for agricultural uses, while the proportion in at least five additional states ranged from 44% to 88%.[7] The figures for these six states were as follows: North Dakota, 99%; Minnesota, 88%; Iowa, 80%; Texas, 68%; Delaware, 54%; and Michigan, 44%.

In other states, various activities assume a position in the problem of refunding gasoline tax payments similar to that occupied by agriculture in those states mentioned above. In Michigan, 23% of total refunds went for gasoline used in manufacturing; in Nevada, 43% of all refunds were for gasoline used in mining and commercial activities; in 48% of gasoline refunds were accounted for by gasoline used in auto busses, the owners of which had already paid a 5% gross receipts tax; in Washington, gasoline used in sawmill and logging operations accounted for 19% of total refunds, and gasoline used on farms and orchards accounted for an additional 45% of the total.

REFUNDS OR EXEMPTIONS FOR LOCAL GOVERNMENTS

Local authorities, among the largest consumers of gasoline in the United States, are exempted from paying gasoline taxes in the case of the federal tax, while gasoline tax payments by local authorities are refunded or gasoline purchases are completely exempted from the state gasoline tax in 36 states. The 12 states in which localities are not exempted nor refunds granted are:

Alabama	Louisiana	Tennessee
Florida	Nebraska	Utah
Georgia	Pennsylvania	Vermont
Kentucky	South Carolina	Wyoming

Of the 36 states granting refunds or exemptions of municipal gasoline purchases, eight refund or exempt tax payment of local governments on all their gasoline purchases. These states are:

Colorado	Montana	Oregon
Delaware	New Jersey	Virginia
Michigan	New York	

In the remaining 28 states, the law does not make local governmental units special objects for refund or exemption, but these governmental units are granted refunds or are exempted only when they form part of a general category, for example, when the gasoline is purchased for non-highway purposes such as heating, lighting, cleaning, and operation of stationary gas engines. These states are:

Arizona	Maine	North Dakota
Arkansas	Maryland	Ohio
California	Massachusetts	Oklahoma
Connecticut	Minnesota	Rhode Island
Idaho	Mississippi	South Dakota
Illinois	Missouri	Texas
Indiana	Nevada	Washington
Iowa	New Hampshire	West Virginia
Kansas	New Mexico	Wisconsin
	North Carolina	

ADMINISTRATIVE PROCEDURES

The process of granting refunds centers around the completion of certain reports by the user of the gasoline. The gasoline user is generally required to keep a record of the amount and purpose for which non-taxable gasoline is used, and a description of the equipment in which the gasoline is used. This information is entered on the claim for refund, which is sent to the gasoline tax administrator's office. If the claim is determined to be accurate, a refund is granted,and the tax paid is returned to the user. The same general procedure is followed in the case of exemptions,except that in the latter case the amount involved is not paid to the state at all but is deducted at the time the gasoline is purchased.

Municipalities are either exempted from payment of the federal gasoline tax or can obtain refunds under certain circumstances. Since the tax is collected in the first instance by the federal government from the manufacturer, if the city makes its purchase of gasoline directly from the manufacturer an exemption certificate is completed at the time of the sale without any difficulty, and the sale is made tax free. But, if the city purchases the gasoline from a merchant or jobber, the city must go through a longer routine to get a refund of the tax payments. Since the manufacturer does not know that the final sale of the gasoline will be to a city, the tax is included in the price. The burden falls on the city to submit exemption certificates to the merchant. These are sent to the manufacturer and then to the federal government, and, if the exemption certificate is satisfactorily completed,the refund is passed back to the municipality.

Around this skeleton procedure involving the filing of refund claims and their verification or auditing for accuracy, there have grown up various administrative practices and forms to aid in the administration of refunds.

Mississippi bonds certain dealers who are then issued a special permit and authorized to sell "refund gasoline." These bonded dealers can sell only to consumers who have registered with the state as bona fide users of refund gasoline. A certificate, carrying the signature of both the seller and buyer, is issued in duplicate by such dealers at

the time of each sale, certifying that the gasoline was sold for refund purposes. The gasoline, furthermore, is colored a distinctive color by the dealer at time of delivery,and all refund gasoline is placed in a special storage container of the consumer distinctly labeled "Refund Gasoline." Specimen signatures of every dealer, truck driver,and other employes authorized to act as agents for sellers and of every user and his employes are filed with the state gasoline tax office. These signatures on the certificates and other documents pertaining to refund gasoline are compared with the authorized signatures, just as a bank verifies signatures on checks. These intricate devices that have been developed by Mississippi indicate somewhat the complexity of the problem facing the tax official required to administer gasoline tax refunds.[8]

FEDERAL RESERVATIONS

Another major difficulty in the administration of refunds and exemptions is that connected with sales of gasoline on federal reservations. Since the enactment of the Hayden-Cartwright Act in 1936 (Pub. No. 686), motor fuels sold on military or other reservations for other than federal purposes are subject to state gasoline taxes. This means that some accounting must be made to the state of all sales on reservations, both taxable and tax-exempt. The officer in charge of such reservation is required to submit a statement each month to the state tax authorities, showing the amounts of motor fuel sold for other than the exclusive use of the United States during the preceding month. Gasoline used for governmental purposes is exempt from state gasoline taxes, but, according to the act, a tax must be paid on that portion sold to individuals for their own use, even though the federal government is the seller.

The intent of the act is clear but the provisions for carrying it out are inadequate, since there is no provision for state administrative supervision and no guarantee of adequate federal supervision. A state is obliged to accept that which is paid and administrative auditing stops with the rendering of the report, which may or may not be audited by the federal superior of the person reporting.

The lack of power to check the amount of non-exempt gasoline sold and the returns thereon is by no means the most serious defect inthe operation of the Hayden-Cartwright

Act. The War Department has ruled that the act does not cover those state gasoline tax statutes which impose the tax on the distributor -- that is,those statutes that technically are not sales tax statutes. This has been the case in two states at least, Illinois and Missouri, and as a result the tax on such fuel sold for other than the exclusive use of the United States is not paid.

Some estimate of the amount of tax thus lost is available in the case of Illinois. On the basis of reports from officers of three reservations for a few months before the War Department ruling, it is estimated that the state loses $22,000 yearly on these three reservations alone, of the 10 major federal reservations in the state. No estimates have as yet been made of the total revenues lost through taxable sales on federal reservations.

Where the Hayden-Cartwright Act is in operation the available figures show that 21 states and the District of Columbia collected a total of $1,164,534 during the calendar year 1937 from 138 military or other reservations located within their borders. The average amount collected for each state thus was $52,933, while the average for each reservation was $8,439. Obviously, the significance of reservations in the revenue pictures of the various states varies widely. Thus, while Wyoming received $425,000 from taxation of gasoline sales on federal reservations in 1937, some states, such as Idaho, Minnesota, and New Hampshire, report no receipts from this source. Arizona reports that it "is a mass of federal islands, each occupied by either Indian reservations, military reservations, national parks, or veteran's hospital facilities." The importance of federal reservations in the refund and exemption problem is made evident by a recent federal report which states that 21% of the land of continental United States is owned by the federal government, while in Nevada and Arizona 83% and 63% of the respective states' total land is owned by the federal government.[9]

Under ordinary practice, sales of motor fuel to the United States government are made tax-free provided the federal agency concerned submits the Federal Exemption Certificate, Form 1094, at the time of sale. At times, however, retail dealers refuse to accept the Federal Exemption Certificates in lieu of the tax from persons operating federal cars, thus necessitating the payment of the state tax by

such operators. In such cases the operators secure a receipt for such tax payments and will ordinarily receive refunds accordingly when the receipts are submitted to the gasoline tax administrator of the state.

In Utah, sales of gasoline to federal agencies are exempted from payment of the tax when U. S. Form 1094 is submitted, or, in lieu of the form, the state accepts a copy of the invoice rendered to the governmental department when this copy is submitted along with the gasoline tax return.[10]

In New Jersey, federal employes operating cars secure a bill showing the amount of tax paid. Under an arrangement with the Comptroller General of the United States, all such billings are sent directly to his office at Washington. Upon receipt of such billings, the Comptroller General's office classifies them according to the federal departments involved and every six months claims for tax refunds are forwarded to the State Division of Motor Fuels on its Invoice Form 100, with the billings in support of the form. The state refunds all such taxes under the provision of the Motor Fuel Tax Law pertaining to taxes paid in error. The refund check is made out in the name of the Comptroller General and then his office returns the tax to the various federal departments.

The general problem of taxing all sales made on federal reservations has become so pronounced from the administration standpoint that on July 27, 1939, the House of Representatives unanimously passed the Buck Resolution (H. R. 6687),which legalizes non-discriminatory taxation of all sales on federal reservations. The bill provides as follow:

All taxes levied by any State, Territory, or the District of Columbia upon, with respect to, or measured by sales, purchases, or use of tangible personal property,or upon sellers, purchasers, or users of such property measured by sales,purchases, or use thereof may be levied and collected in the same manner and to the same extent with respect to transactions occurring in whole or in part within United States national parks, military and other reservations or other sites located within the external boundaries of such State, Territory, or the District of Columbia as with respect to transactions occurring elsewhere within the territorial boundaries of said State, Territory, or the District of Columbia.

Administrators of sales taxes as well as gasoline taxes feel that passage of the bill would greatly aid in eliminating much tax evasion on federal reservations. Because of the difficulties experienced in checking the amount of tax due under the Hayden-Cartwright Act, it has been suggested that the bill should include a provision permitting state administrators to make audits of sales on reservations.[11] The bill was passed over by the Senate in the closing days of the 1939 session. On January 10, 1940, it was recommitted to the Senate Finance Committee.

FORMS AND RETURNS

The actual administration of refunds and exemptions requires the use of forms that in some states have been perfected after a good deal of experimentation. The following descriptions are only samples of the many forms in use.

Wisconsin requires the following information on its refund claim:

1. Name of claimant.
2. Address of claimant.
3. Nature of claimant's business - number of acres of farm land operated and number of acres under plow.
4. Total number of gallons of motor fuel purchased as shown by attached original sales tickets and original paid invoices.
5. Total number of gallons of motor fuel on which tax refund is asked.
6. List of machines that used the motor fuel on which refund is asked, number of gallons of motor fuel used in each piece of machinery, and kind of work done with the machinery - if motor fuel was not used in machinery, a description of the purpose for which it was used and the number of gallons used for each purpose is called for.
7. Amount of refund at 4¢ per gallon.
8. Number of automobiles or trucks or any other motor driven machinery or appliance which uses motor fuel.
9. Affidavit.

The Wisconsin Tax Commission does not approve refund claims unless the claims are supported by original sales slips or invoices. Monthly statements are not treated as

invoices. The original sales slips or invoices must contain the following information:

1. Date of sale.
2. Name and address of purchaser, which must be the name of the claimant.
3. Name and address of seller.
4. Number of gallons purchased and price per gallon.
5. Separate listing of amount of tax.
6. Receipt of payment of tax.

This type of information is required by most states on their refund application blanks.

The state of New Jersey uses three forms directly concerned with refund of gasoline taxes, two in the nature of preliminary refund applications and one actual refund claim. The first form put into operation by the Division of Motor Fuels in administration of refunds is a "Preliminary Refund Questionnaire," which requires the following information:

1. Name and address of claimant.
2. Whether claimant is a partnership or corporation.
3. Name, address, and title of person who will sign refund claim.
4. An estimate of the approximate number of gallons of motor fuel to be used each month of the year for non-taxable purposes.
5. A statement of the operation in which claimant will use motor fuel which will be subject to refund of tax.
6. A list of all equipment in which claimant will use motor fuel, with a description as to type of make, cylinders, horse-power, year, and model.
7. Whether claimant supplies gasoline to anyone.
8. Whether claimant has a motor fuel retail dealers' license; if he has, number of license.
9. Affidavit.

If the claimant is engaged in agriculture he fills out a form with the same title as the above but with slightly different content. The "Preliminary Refund Questionnaire" applicable to refunds for agricultural purposes requires in addition to the general information as above outlined, the number of acres owned, rented, leased, or farmed on shares, total number of acres cultivated, whether the gasoline is

used on a general, dairy, truck, or stock farm, and the total capacity of gasoline storage tanks.

In order to secure the refund, the claimant must complete a second form, on which the following information is required:

1. Name, address, and code number of claimant.
2. Statement of total number of gallons purchased each day of the month, with receipted invoices attached.
3. Number of gallons on which no refund is claimed, and number on which refund is claimed.
4. Use of motor fuel on which refund is claimed.
5. Affidavit.

ADMINISTRATIVE DIFFICULTIES

The problems of administration discussed in this section, although they may not be confined to the gasoline tax in every case, are extremely important to the gasoline tax administrator in view of the fact that the administration of refunds and exemptions is such a large part of his work and so important to the state financially.

The primary problem confronting the gasoline tax administrator in administering refunds and exemptions is to determine the accuracy of the information contained in the claim for refund or exemption. Collusion between user and seller is sometimes evidenced by the fact that the amount of gasoline on which refund is claimed exceeds the amount actually used in a non-taxable activity. The distributor may also obligingly change the date on the refund claim to do his customer a favor and enable him to get an illegal refund on gasoline taxes paid, or the customer himself may falsify the claim. In this connection, a Montana regulation issued March 25, 1939, is pertinent. Under this regulation, refund claims must be accompanied by the top copy of the original invoice, and the invoice is void if there are any corrections or erasures.

In a letter to licensed distributors of motor fuel, calling the attention of the distributors to the necessity of complying with the gasoline tax rules and regulations, one state gasoline tax department says:[12]

In a large number of instances we have found the following practices being resorted to by employes, agents, and dealers of licensed distributors: (1) Alteration of dates on the original sales slips or invoices that are over six months old in order to make them appear to be within the six months period of limitation provided by law for the filing of claims. (2) Alteration of original gallonage figure on ticket in order to increase for the purpose of assisting the claimant in securing a refund of a greater amount of tax than he would have been entitled to...

Another administrative difficulty growing out of the method of collecting the gasoline tax from the distributor or dealer is that connected with assessment of the tax against one person while the gasoline is used in an exempt activity and the tax refunded to another person. It may at first appear that the possibility of a double check is afforded by comparing the refund claim as against the report of the distributor to determine the accuracy of the claim. In practice, however, it has sometimes been found that collusion between the distributor or dealer and the person filing the refund claim is so easily effected as to invalidate this theoretical double check.

Closely linked with the question of collusion between taxpayer and vendor are two other problems: (1) control and education of the notary public and (2) more rigid control over the distribution of refund claim blanks. The primary difficulty involved in the first problem is that the notary is in almost all cases so intimately associated with either the person selling the gasoline or the person filing the refund claim, that the notary's seal is merely a "rubber stamping process." In this case the notary's seal need not be required at all. Here is the problem as it is seen by a tax administrator of one state:[13]

In our state (Indiana) a number of tank wagon drivers have become Notary Publics and in soliciting new business they offer their service in assisting their prospects to secure the refund of the tax. After the business is secured the salesman merely has his own customer sign a number of applications in blank. Maybe he will ask a few general questions such as: number of acres owned and operated by the purchaser and also the number of tractors, automobiles, and trucks. With this information, he will take the blank back to his office and complete the application for the farmer. In a number of instances no deduction was made for gasoline poured into the tank of an automobile and truck owned by his customer.

This official suggests that individuals who deliberately violate the motor fuel tax law should be prosecuted, and that two or three prosecutions in every county, attended with publicity, would eliminate some of the difficulties involved. It has been suggested that this difficulty might be remedied in part by a requirement that the notary vouching for the authenticity of the contents of the refund claim must not in any way be connected with the oil industry or any of its prepresentatives, nor with the person buying the gasoline or his agents or employes. This requirement, it is pointed out, would at least remove by one degree the facility with which incorrect information can be entered on refund claims. It is reported that some states are preparing to institute this practice. On the other hand, some officials feel that the administrator need not place such stress on the activity of the notary, because the notary's function is merely to certify to the fact that the claimant signed the refund claim in his presence and that the claimant certifies to the correctness of the claim itself.[14] It is merely a procedure that subjects the claimant to certain criminal liability in the event he swears falsely before the notary public, and therefore the administrator should concentrate his efforts on the accuracy of the statements made in the refund claim and its supporting documents.

In Rhode Island a recent amendment to the gasoline tax act accomplishes the same result as the notary's stamp.[15] In place of the oath the statute provides that the distributors' reports and refund claims may contain a written declaration that it is made under the penalties of perjury and whoever signs such reports shall, if such report be wilfully false, be guilty of perjury.

The second problem, that of controlling the distribution of refund application blanks, requires some elaboration since it has not been given sufficient attention by persons interested in the problem of equitable administration of refunds. At the present time, refund application blanks are available from distributors, wholesalers, importers, and numerous others. An individual desiring to apply for refund on gasoline used in non-highway activities finds it necessary only to ask the person with whom he is dealing and the blank is furnished him. The ease with which he gets the blank makes him feel that the whole operation of getting the refund follows similar lines, and that one need not fear violating the law by claiming more than should

be legally claimed. It is this fact that encourages false statements and incorrectly signed affidavits and collusion between vendors and users of gasoline. The remedy is not difficult.

If the state centralizes the distribution of application blanks in the office of the tax administrator and compels the applicant to request the blanks in writing each time he needs them, it will be found that the person requiring the blanks will hesitate, in the first place, to ask refunds for non-exempt uses or for more gasoline than was used in exempt purposes, and in the second place, to forge names or to alter dates.

Closely allied with the problems that arise from the ease with which refund applications can be secured is the problem of accounting for all refund application tickets after they have been distributed by the state to the various taxpayers. It has been pointed out that issuance of additional sales tickets upon representation by claimant that originals were lost, when, in fact, this may not have been the case, is a large source of illegal refunds.[16] Another official reports that tank wagon salesmen have destroyed invoices that were too old and then took the liberty of making up new tickets dated within the filing period.[17] This practice, he says, should be controlled by the industry by assigning each invoice book to a particular agent who in turn should be required to account for each ticket. He further says that the only way to handle notaries public who violate the law governing their commissions is by prosecution and withdrawing their commissions. It is also found that dealers are issuing duplicate invoices which do not conform to the original ticket.

At this stage, one may well ask, "Cannot these illegal practices be halted by auditing of records?" If tax administrators had sufficient funds and employes, these difficulties could without a doubt be eliminated to a large extent. However, working within narrowly limited budgets, the administrator generally finds it impossible to audit every claim for tax refunds but instead must resort to some device of sampling by statistical methods the claims filed and auditing only the samples selected. Wide publicity given to the audits being made would greatly aid the administrator in securing the cooperation of the taxpayer.

As a substitute for the sampling technique, it has been suggested that quotas for the purchase of tax-exempt gasoline be established.[18] The quota would be established on the basis of equipment used, acres cultivated, or any other similar criteria. Quotas will necessarily be tentative until experience with the quotas first established will enable the administrator to establish more accurate ones. It has also been suggested, the report points out, that gasoline in excess of the quota would not necessarily be disallowed, although the purchaser would be required to produce additional evidence that the quota was too low or that special circumstances justified exceeding the quota. At least one state has recently been attempting to establish a quota system, based on the claimant's estimate of gasoline used in non-taxable purposes as contained in the preliminary questionnaire he is required to fill out.[19] Such quotas are difficult to establish, especially in the case of industries where use of motor fuels is dependent in part on weather conditions, such as farming, contracting, and bus and airplane operations.

The importance of developing procedures for checking refund and exemption claims may be demonstrated by the high proportion of claims paid to claims filed, as shown in Table 3.[20]

INTERSTATE SHIPMENTS

In dealing with the problem of interstate shipments and refunds on or exemption from tax payment, the states have found it useful to utilize administrative forms and reports similar in nature to those discussed above. The main administrative difficulty involved in the interstate shipment problem is to check up on the validity of taxpayers' statements that gasoline shipments have been made to other states. A distributor may claim refund of taxes on gasoline that he asserts has been shipped to purchasers in other states, and if the state which would have to pay the refund does not have some method of receiving corroboration from the state into which the shipment was to have been made, then it would either have to go to the expense of insuring that the shipment was actually made by investigating through its own auditors or field men, or else merely grant all refunds claimed. It should be obvious that by cooperating with other states in furnishing information on shipments of gasoline made or received, any single state can reduce the

cost of checking upon these shipments and also eliminate many illegal refunds.

A regular procedure of reporting interstate shipments of gasoline has been developed in the 13 Northeastern states. These states use a uniform system of reporting which may be described as follows: The refiner or distributor in state A reports on the uniform report blank that he is selling gasoline to a company in state B. The seller is nevertheless charged with the tax by state A and will receive no credit or deduction or refund for the export unless the following steps are taken:

1. Seller fills out the state A export form in duplicate and sends both copies to the gasoline tax office the day on which the sale is made.
2. State A sends one copy of this export report to state B's gasoline tax office.
3. Buyer fills out the state B import form in duplicate and sends it to state B's gasoline tax office within 24 hours.
4. State B sends a copy of the import form to state A.
5. State A and state B compare their copies of both the import and export returns and find that they match.
6. State B reports to state A that the cargo, as described in the report, has entered the state.

In several states the claimant who applies for a refund of the tax on fuels exported from the state must submit, in addition to his regular receipted invoices showing payment of the state tax, a receipt from the importing state indicating the payment of the tax to that state.[21] The import report must match the export report before refund of tax is granted. If the fuel is to be exported from the country, in New Jersey a certified copy of the bill of lading is accepted as proof of export. In the case of those fuels which are taxable in New Jersey, but are not taxable in the state to which they are exported, the refund claim must be supported by a certified copy of the bill of lading.

The federal government is also doing its share in aiding the interstate clearance of information among state administrators for the purpose of eliminating illegal refunds or exemptions. Arrangements have been worked out whereby the administrators in the Northeastern states receive not

only their own reciprocal reports but also reports from the Department of the Interior known as OCR reports, which show the detail of every movement of motor fuel or oil carried from the producing state by ship to any other state, and enable the gasoline tax administrator to check on refund claims for gasoline that is supposed to have been shipped to other states.

BARGE SHIPMENT PROBLEM

The lack of a well-developed interstate gasoline tax reporting system among the states bordering on the Mississippi River has created a large evasion problem for the administrators of those states in the form of barge shipments.

A suggested solution to the barge shipment problem is that the gasoline tax be applied to the shipment even though it is going to enter into interstate commerce. Refund on such a shipment would then be made when the shipping distributor furnishes evidence that the gasoline has actually been shipped out of the state.[22] If the distributor is not able to show what distribution is made of the motor fuel, the state charges him with the tax. In the event that the distributor proves out-of-state shipment, it would then be possible to notify the state of destination, which could then apply its gasoline tax, providing its gasoline tax law is applicable.

Some degree of interstate gasoline reporting among the states along the Mississippi River does exist at the present time, but it is not developed to the same degree as the system in use among the Northeastern states. Tennessee reports that it receives a monthly statement from Illinois listing the barge and tank car movements into Tennessee from Illinois, and that Mississippi has furnished very helpful information.[23] The Tennessee barge problem is a rather large one in view of the fact that about 60% of the total shipments of gasoline into the state are by barge. Over 150,000,000 gallons of gasoline enter Tennessee each year by barge, mostly from Louisiana and Illinois.

Interstate reporting of barge shipments as an aid in solving the problem is also suggested by another administrator, who adds that normal field audit and investigation procedure is useful in testing the accuracy of reports by the distributors.[24] An elaborate system of permanent in-

spectors to check every "in" and "out" movement is not necessary, as periodic checking and occasional investigation of movements of gasoline shipments on the waterway will probably establish the honesty of distributors. In New Jersey, a cruising speedboat is used in checking barges and tankers for gasoline movements. This boat is furnished with complete inventory equipment to test the veracity of the reports submitted by the haulers. Since the power to inspect and search on the waterways is reserved to federal officials, the state officials have been deputized by the federal government to exercise this power.

SUMMARY AND CONCLUSIONS

In view of the administrative problems involved, some gasoline tax officials have raised the question of the advisability of the complete elimination of refunds and exemptions.[25] The argument for eliminating refunds and exemptions is supported by the fact that a large amount of gasoline tax revenues is already being used for non-highway purposes. Proceeds from the gasoline tax would flow into the general fund, and expenditures on roads would be made from general revenues. According to this view, highway expenditures in all probability would not suffer, and the states would then be recognizing what is already a fact.

The gasoline tax was originally enacted as a benefit tax upon the road user. As a matter of fact, however, gasoline tax revenues in recent years have been increasingly diverted from highway to other purposes, especially relief. The statistics on diversion show that the amount diverted has increased from $5,297,000 in 1927 to $130,918,000 in 1937, an increase from 2% to 17% of total gasoline taxes collected.[26] The figure dropped to $121,448,000, or 16%, in 1938. Expenditures of gasoline tax receipts for non-highway purposes in 1938 amounted to more than 55% of gasoline tax receipts during the year in two states,[27] while from 15% to 43% of total gasoline tax receipts was expended for non-highway purposes in nine additional states.[28]

Nevertheless, the attitude remains predominant that the gasoline tax is still legally imposed as a benefit charge for the use of the roads, and that even though the tax is no longer strictly a road tax, it would be unfair for persons purchasing gasoline for non-highway purposes to pay the tax.

In review, the following facts are significant. More than 5% of gasoline tax collections in 1938 was refunded, and nearly 10% of gasoline gallonage sold was subject to either refund or exemption. Development of reports that will serve the administrator in checking up on the accuracy of claims, control of refund application blanks, elimination of collusion, use of sampling techniques and auditing devices, determination of exempt sales on federal reservations, and control of barge and interstate shipments, are the major administrative problems which require increasing attention in order to prevent refunds and exemptions from absorbing too large a fraction of gasoline tax revenues and too great an amount of administrative effort on the part of gasoline tax officials.

NOTES

[1] Arthur Pugh, Chief Accountant, Wisconsin Treasury Department, in Report of the Twelfth Annual North American Gasoline Tax Conference (1937), p. 41.

[2] See page 25, Table 1.

[3] See pages 25 and 26, Tables 1 and 2.

[4] Table 1, from which these figures are taken, indicates no refunds or exemptions in 1938 in two states (Alabama and Kentucky). In this connection it should be noted that all states must exempt from taxation or refund taxes paid on certain types of sales, such as sales to the federal government, whether or not the gasoline tax law specifically provides for such exemption.

[5] See page 27, Table 3.

[6] See page 28, Table 4.

[7] See page 29, Table 5.

[8] For a more complete description of refund administration in Mississippi see the article by Howard Dyer, Motor Vehicle Commissioner of Mississippi, on "Refunds of Gasoline Tax for Non-Highway Uses," North American Gasoline Tax Conference Bulletin, July, 1939, p. 4.

[9] Federal Ownership of Real Estate and Its Bearing on State and Local Taxation: 76th Congress, 1st Session; House Document No. 111.

[10] Utah Motor Fuel Tax Regulation No. 6, November 10, 1939.

[11] C. F. Joyner, Jr., Assistant Director, Virginia Division of Motor Vehicles. Letter dated November 20, 1939.

[12] Illinois Motor Fuel Tax and Oil Inspection Divisions, Refund Claim Bulletin, issued November 28, 1938.

[13] Howard L. Rhea, Director of the Refund Division, Indiana Motor Vehicle Fuel Tax Department, quoted in the North American Gasoline Tax Conference Bulletin, March, 1939.

[14] For Example, C. S. Holmberg, Supervisor, Motor Fuel and Oil Inspection Divisions, Illinois Department of Finance, and President of the North American Gasoline Tax Conference, in a letter to the Federation of Tax Administrators dated November 10, 1939.

[15] Rhode Island Laws of 1939, H. B. No. 888.

[16] C. S. Holmberg.

[17] Howard L. Rhea.

[18] Kansas Legislative Council, Research Department, Gasoline Tax Exemptions in Kansas, Publication No. 53.

[19] John M. Rogers, Jr., Supervisor of Refunds, New Jersey Division of Motor Fuels, letter to the Federation of Tax Administrators, dated November 22, 1939.

[20] See page 27.

[21] Mississippi, New Jersey, and New York.

[redacted]

[23] E. H. Eakle, Director, Division of Research and Statistics, Tennessee Department of Finance and Taxation.

[24] Joseph L. McLaughlin, Director, New Jersey Division of Motor Fuels.

[25] C. F. Joyner, Jr. (Virginia), H. P. Leatham (Utah), and W. D. Atkinson (Nevada) have raised this question in their correspondence with the Federation of Tax Administrators.

[26] See page 30, Table 6.

[27] New York and Rhode Island.

[28] Florida, Georgia, Illinois, Louisiana, New Jersey, Ohio, Pennsylvania, Tennessee, and Texas.

APPENDIX

Table 1

UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF PUBLIC ROADS

MOTOR-FUEL CONSUMPTION - 1938

COMPILED FOR CALENDAR YEAR FROM REPORTS OF STATE AUTHORITIES 1/

TABLE G-2, 1938
ISSUED MAY 1939

STATE	TAX RATE PER GALLON 2/	GROSS AMOUNT REPORTED 3/	AMOUNT EXEMPTED FROM PAYMENT OF TAX 3/	GROSS AMOUNT ASSESSED FOR TAXATION	AMOUNT SUBJECT TO REFUND OF ENTIRE TAX	NET AMOUNT TAXED				STATE
						TOTAL	AT PREVAILING RATE	AT OTHER RATES		
								RATE PER GALLON	AMOUNT	
	Cents	1,000 gallons	1,000 gallons	1,000 gallons	1,000 gallons	1,000 gallons	1,000 gallons	Cents	1,000 gallons	
ALABAMA	6	226,838	-	226,838	-	226,838	226,838	-	-	ALABAMA
ARIZONA	5	102,711	4,487	97,224	12,690	84,534	84,534	-	-	ARIZONA
ARKANSAS	6	166,200	6,256	159,944	-	159,944	143,479	(5/)	16,465	ARKANSAS
CALIFORNIA	3	1,765,685	33,284	1,730,341	158,443	1,571,388	1,571,388	-	-	CALIFORNIA
COLORADO	4	207,256	10,445	216,813	28,869	187,944	187,944	-	-	COLORADO
CONNECTICUT	3	326,263	7,377	318,886	6,176	312,710	312,710	-	-	CONNECTICUT
DELAWARE	4	56,638	1,256	55,382	2,892	52,490	52,490	-	-	DELAWARE
FLORIDA	7	358,690	11,812	326,838	-	326,838	326,838	-	-	FLORIDA
GEORGIA	6	339,592	10,471	324,921	-	324,921	324,921	-	-	GEORGIA
IDAHO	5	95,077	3,870	91,207	9,130	82,077	81,888	6	6/ 189	IDAHO
ILLINOIS	3	1,398,680	-	1,398,680	102,664	1,296,016	1,296,016	-	-	ILLINOIS
INDIANA	4	612,714	2,057	610,657	47,778	562,879	562,879	-	-	INDIANA
IOWA	3	524,535	-	524,535	78,629	445,906	445,906	-	-	IOWA
KANSAS	3	459,453	121,906	337,547	-	337,547	337,547	-	-	KANSAS
KENTUCKY	5	256,916	-	256,916	-	256,916	256,916	-	-	KENTUCKY
LOUISIANA	7	247,176	4,965	242,211	4	242,207	234,941	2	7/ 7,266	LOUISIANA
MAINE	4	144,866	882	143,984	-	143,984	137,406	1	8/ 6,578	MAINE
MARYLAND	4	271,434	4,226	267,208	18,600	248,608	246,433	3	9/ 2,175	MARYLAND
MASSACHUSETTS	3	690,203	8,702	647,501	25,247	662,254	662,254	-	-	MASSACHUSETTS
MICHIGAN	3	1,053,961	81,484	972,477	43,184	929,293	928,920	1½	10/ 373	MICHIGAN
MINNESOTA	4	536,851	24,749	512,112	64,666	447,446	447,446	-	-	MINNESOTA
MISSISSIPPI	6	190,248	9,147	181,101	-	181,101	171,044	1	11/ 10,057	MISSISSIPPI
MISSOURI	2	608,472	-	608,472	27,386	581,086	581,086	-	-	MISSOURI
MONTANA	5	117,164	6,455	110,709	21,259	89,450	89,450	-	-	MONTANA
NEBRASKA	5	252,817	9,469	243,348	39	243,309	243,309	-	-	NEBRASKA
NEVADA	4	34,771	2,886	31,885	1,927	29,958	29,958	-	-	NEVADA
NEW HAMPSHIRE	4	89,197	-	89,197	8,483	82,714	82,714	-	-	NEW HAMPSHIRE
NEW JERSEY	3	812,804	7,257	805,547	67,112	738,435	738,435	-	-	NEW JERSEY
NEW MEXICO	5	96,450	6,410	90,040	8,390	81,650	81,521	7½	12/ 129	NEW MEXICO
NEW YORK	4	1,802,216	64,987	1,737,229	52,557	1,684,672	1,684,672	-	-	NEW YORK
NORTH CAROLINA	6	405,333	6,294	397,039	-	397,039	385,934	1	11/ 11,205	NORTH CAROLINA
NORTH DAKOTA	3	122,866	1,353	121,513	35,738	85,775	85,775	-	-	NORTH DAKOTA
OHIO 13/	4	1,278,825	63,190	1,215,635	8,797	1,206,838	1,157,015	1	8/ 49,823	OHIO 13/
OKLAHOMA	4	403,795	12,311	391,484	41,294	350,190	350,190	-	-	OKLAHOMA
OREGON	5	230,187	4,927	225,260	25,616	198,644	197,797	1	14/ 847	OREGON
PENNSYLVANIA	4	1,403,587	6,519	1,397,068	-	1,397,068	1,397,068	-	-	PENNSYLVANIA
RHODE ISLAND	4	120,885	1,025	119,863	2,989	116,874	116,874	-	-	RHODE ISLAND
SOUTH CAROLINA	6	192,170	-	192,170	3,387	188,783	188,783	-	-	SOUTH CAROLINA
SOUTH DAKOTA	4	132,002	7,353	124,649	24,981	99,668	99,668	-	-	SOUTH DAKOTA
TENNESSEE	7	280,852	14,976	265,885	1,725	264,163	264,163	-	-	TENNESSEE
TEXAS	4	1,257,258	23,686	1,233,572	167,564	1,075,891	1,075,891	-	-	TEXAS
UTAH	4	92,950	5,100	87,850	-	87,850	87,850	-	-	UTAH
VERMONT	4	64,324	1,024	63,300	-	63,300	63,300	-	-	VERMONT
VIRGINIA	5	395,150	-	395,150	20,823	334,327	334,327	-	-	VIRGINIA
WASHINGTON	5	341,023	6,044	334,979	25,282	309,697	309,697	-	-	WASHINGTON
WEST VIRGINIA	5	190,397	-	190,397	1,482	188,915	188,915	-	-	WEST VIRGINIA
WISCONSIN	4	562,853	16,884	525,959	41,187	484,812	484,812	-	-	WISCONSIN
WYOMING	4	65,396	1,980	63,376	-	63,376	63,376	-	-	WYOMING
DISTRICT OF COLUMBIA	4	139,612	5,586	134,026	701	133,325	133,325	-	-	DISTRICT OF COLUMBIA
TOTAL	15/ 3.96	21,406,636	614,250	20,792,346	1,182,618	19,609,728	19,504,621	-	105,107	TOTAL

1/ AN ANALYSIS OF MOTOR-FUEL USAGE, SIMILAR TO THAT GIVEN IN THE RIGHT-HAND PORTION OF TABLE G-2, 1937, WILL BE PUBLISHED IN A SUBSEQUENT TABLE.

2/ NO CHANGES IN TAX RATES REPORTED DURING 1938.

3/ EXPORT SALES AND OTHER AMOUNTS NOT REPRESENTING CONSUMPTION IN STATE HAVE BEEN ELIMINATED AS FAR AS POSSIBLE. IN CASES WHERE STATES FAILED TO REPORT AMOUNTS EXEMPTED FROM TAXATION, THE GROSS AMOUNT TAXED IS SHOWN IN THIS COLUMN.

4/ INCLUDES ALLOWANCES FOR EVAPORATION AND OTHER LOSSES, FEDERAL USE, OTHER PUBLIC USE, AND NONHIGHWAY USE, WHERE INITIAL EXEMPTIONS RATHER THAN REFUNDS ARE MADE.

5/ WITHIN 300 FEET OF BORDER, TAX IS REDUCED TO THAT OF ADJACENT STATE. GALLONS TAXED AT 2 CENTS, 3,787,000; AT 4 CENTS, 12,676,000.

6/ MOTOR FUEL USED IN AVIATION.

7/ REPRESENTS EVAPORATION OR LOSS ALLOWANCE UNDER 5-CENT TAX NOT ALLOWED UNDER ADDITIONAL 2-CENT TAX, WHICH IS ADMINISTERED UNDER A SEPARATE LAW.

8/ THREE CENTS PER GALLON REFUNDED ON NONHIGHWAY USES.

9/ ONE CENT PER GALLON REFUNDED ON MOTOR FUEL USED IN VEHICLES LICENSED TO OPERATE EXCLUSIVELY IN CITIES.

10/ ONE AND ONE-HALF CENTS PER GALLON REFUNDED ON MOTOR FUEL USED IN INTERSTATE AVIATION.

11/ FIVE CENTS PER GALLON REFUNDED ON NONHIGHWAY USES.

12/ DIESEL OIL TAXED AT 7½ CENTS PER GALLON.

13/ AMOUNTS GIVEN DO NOT INCLUDE 66,240,000 GALLONS OF LIQUID FUEL (KEROSENE, FUEL OIL, ETC.) TAXED AT 1 CENT PER GALLON BUT NOT SUBJECT TO THE 3-CENT TAX ON MOTOR-VEHICLE FUEL.

14/ FOUR CENTS PER GALLON REFUNDED ON MOTOR FUEL USED IN AVIATION.

15/ WEIGHTED AVERAGE RATE.

Table 2

UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF PUBLIC ROADS

STATE MOTOR-FUEL TAX RECEIPTS-1938

COMPILED FOR CALENDAR YEAR FROM REPORTS OF STATE AUTHORITIES

TABLE D-1, 1938
ISSUED MAY 1939

STATE	TAX RATE PER GALLON 1/	RECEIPTS FROM TAXATION OF MOTOR FUEL: GROSS COLLECTIONS	RECEIPTS FROM TAXATION OF MOTOR FUEL: TRUCK-DISTRIBUTING DISCOUNTS OR EXPENSES 2/	RECEIPTS FROM TAXATION OF MOTOR FUEL: GROSS RECEIPTS BY STATE	RECEIPTS FROM TAXATION OF MOTOR FUEL: REFUNDS PAID	RECEIPTS FROM TAXATION OF MOTOR FUEL: NET RECEIPTS BY STATE	OTHER RECEIPTS IN CONNECTION WITH MOTOR-FUEL TAX: DISTRIBUTORS' AND DEALERS' LICENSES	OTHER RECEIPTS IN CONNECTION WITH MOTOR-FUEL TAX: INSPECTION FEES 3/	OTHER RECEIPTS IN CONNECTION WITH MOTOR-FUEL TAX: FINES AND PENALTIES	OTHER RECEIPTS IN CONNECTION WITH MOTOR-FUEL TAX: MISCELLANEOUS RECEIPTS 3/	OTHER RECEIPTS IN CONNECTION WITH MOTOR-FUEL TAX: TOTAL	NET TAX AND OTHER RECEIPTS	LESS TAX ON AVIATION GASOLINE	ADJUSTED TOTAL RECEIPTS	STATE
	Cents	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	
ALABAMA	6	13,343	-	13,343	-	13,343	-	-	-	-	-	13,343	-	13,343	ALABAMA
ARIZONA	6	5,074	-	5,074	773	4,301	-	-	-	-	-	4,301	-	4,301	ARIZONA
ARKANSAS	6	10,824	-	10,824	-	10,824	-	-	-	-	-	10,824	-	10,824	ARKANSAS
CALIFORNIA	5	51,492	-	51,492	4,792	46,700	-	-	-	-	-	46,700	-	46,700	CALIFORNIA
COLORADO	7	8,453	-	8,453	1,158	7,295	-	-	-	2	2	7,297	-	7,297	COLORADO
CONNECTICUT	7	9,371	96	9,275	182	9,093	50	-	-	-	50	9,143	-	9,143	CONNECTICUT
DELAWARE	7	3,138	-	3,138	-	3,138	38	-	-	-	38	3,176	-	3,176	DELAWARE
FLORIDA	7	22,881	-	22,881	-	22,881	-	103	-	-	103	22,984	-	22,984	FLORIDA
GEORGIA	7	17,451	158	17,293	958	16,335	-	-	-	-	-	16,335	-	16,335	GEORGIA
IDAHO	7	6,981	-	6,981	1,032	5,949	-	-	-	2	2	5,951	5	5,946	IDAHO
ILLINOIS	7	30,195	806	29,389	3,658	25,731	-	305	-	-	305	26,036	-	26,036	ILLINOIS
INDIANA	7	24,178	-	24,178	1,391	22,787	-	911	-	-	911	23,698	-	23,698	INDIANA
IOWA	7	20,184	-	20,184	-	20,184	13	-	-	33	46	20,230	-	20,230	IOWA
KANSAS	7	10,867	-	10,867	1,231	9,636	-	77	-	-	77	9,713	-	9,713	KANSAS
KENTUCKY	7	12,485	127	12,358	-	12,358	193	-	3	-	196	12,554	-	12,554	KENTUCKY
LOUISIANA	7	15,755	-	15,755	198	15,557	-	-	-	-	-	15,557	-	15,557	LOUISIANA
MAINE	7	5,755	-	5,755	196	5,559	-	-	-	-	-	5,559	-	5,559	MAINE
MARYLAND	5	10,995	-	10,995	750	10,245	-	-	-	-	-	10,245	-	10,245	MARYLAND
MASSACHUSETTS	7	29,092	-	29,092	1,924	27,168	-	-	-	-	-	27,168	-	27,168	MASSACHUSETTS
MICHIGAN	7	28,044	-	28,044	2,894	25,150	1	187	-	2	190	25,340	35	25,305	MICHIGAN
MINNESOTA	7	18,099	-	18,099	557	17,542	-	125	-	9	134	17,676	-	17,676	MINNESOTA
MISSISSIPPI 4/	6	12,059	-	12,059	1,059	11,000	-	-	-	-	-	11,000	-	11,000	MISSISSIPPI 4/
MISSOURI	6	11,345	65	11,280	-	11,280	-	107	-	-	107	11,387	-	11,387	MISSOURI
MONTANA	7	4,345	25	4,320	77	4,243	7	-	-	30	37	4,280	31	4,249	MONTANA
NEBRASKA	6	11,335	-	11,335	1,001	10,334	-	-	-	-	-	10,334	-	10,334	NEBRASKA
NEVADA	6	2,742	-	2,742	34	2,708	-	-	-	-	-	2,708	-	2,708	NEVADA
NEW HAMPSHIRE	7	3,796	-	3,796	631	3,165	-	-	-	-	-	3,165	-	3,165	NEW HAMPSHIRE
NEW JERSEY	2	4,748	-	4,748	2,004	2,744	63	-	-	-	63	2,807	-	2,807	NEW JERSEY
NEW MEXICO	6	6,987	149	6,838	446	6,392	24	-	-	-	24	6,416	-	6,416	NEW MEXICO
NEW YORK	2	67,731	649	67,082	2,046	65,036	63	1,002	-	6	1,071	66,107	912	65,195	NEW YORK
NORTH CAROLINA	6	21,240	-	21,240	1,342	19,898	-	64	-	-	64	19,962	-	19,962	NORTH CAROLINA
NORTH DAKOTA	6	3,634	55	3,577	247	3,330	-	-	-	-	-	3,330	-	3,330	NORTH DAKOTA
OHIO	1/	16,091	317	15,774	1,283	14,491	-	-	-	-	-	14,491	96	14,395	OHIO
OKLAHOMA	2	11,242	-	11,242	1,100	10,142	-	-	-	-	-	10,142	-	10,142	OKLAHOMA
OREGON	2	11,748	553	11,195	-	11,195	-	-	-	-	-	11,195	-	11,195	OREGON
PENNSYLVANIA	2	34,774	-	34,774	1,553	33,221	80	-	7	-	87	33,308	-	33,308	PENNSYLVANIA
RHODE ISLAND	7	3,774	-	3,774	264	3,510	3	-	-	-	3	3,513	-	3,513	RHODE ISLAND
SOUTH CAROLINA	7	11,591	100	11,491	197	11,294	-	240	-	-	240	11,534	38	11,496	SOUTH CAROLINA
SOUTH DAKOTA	7	18,375	-	18,375	978	17,397	-	64	-	-	64	17,461	10	17,451	SOUTH DAKOTA
TENNESSEE	7	50,041	500	49,541	6,881	42,660	-	1,084	-	-	1,084	43,744	87	43,657	TENNESSEE
TEXAS	4	3,358	94	3,264	-	3,264	1	-	-	-	1	3,265	-	3,265	TEXAS
UTAH	4	3,238	-	3,238	1,004	2,234	-	-	-	-	-	2,234	96	2,138	UTAH
VERMONT	5	17,542	-	17,542	-	17,542	-	-	-	-	-	17,542	-	17,542	VERMONT
VIRGINIA	5	15,585	-	15,585	1,283	14,302	-	-	-	-	-	14,302	-	14,302	VIRGINIA
WASHINGTON	5	15,585	-	15,585	1,248	14,337	11	-	-	9	20	14,357	-	14,357	WASHINGTON
WEST VIRGINIA	5	20,302	-	20,302	1,049	19,253	11	194	-	-	205	19,458	30	19,428	WEST VIRGINIA
WISCONSIN	5	2,593	-	2,593	14	2,579	3	-	-	-	3	2,582	-	2,582	WISCONSIN
DISTRICT OF COLUMBIA	2	2,593	-	2,593	-	2,593	11	-	-	-	11	2,604	24	2,580	DISTRICT OF COLUMBIA
TOTAL	1/ 3.96	817,881	3,795	813,576	46,723	766,853	346	4,672	38	111	5,167	772,020	856	771,164	TOTAL

1/ NO CHANGES IN TAX RATES REPORTED DURING 1938.
2/ INCLUDES ALL ALLOWANCES AND DISTRIBUTIONS FOR EXPENSE OF COLLECTING THE TAX, EXCEPT IN KENTUCKY, SOUTH DAKOTA, AND UTAH ALLOWANCES OF 2 1/2, 4, AND 5% RESPECTIVELY ARE MADE TO DISTRIBUTORS FOR EXPENSE OF COLLECTION AND SALE; IN NEBRASKA 1% IS ALLOWED FOR THE SAME PURPOSE; IN MISSOURI 2% IS ALLOWED FOR EXPENSE; IN MISSISSIPPI ONE-HALF OF ONE PER CENT OF GASOLINE SALES ARE MADE IN CONSIDERATION OF THE ALLOWANCES FOR EXPENSES ONLY HAVE BEEN ESTIMATED AS 1, 2, AND 1½ PERCENT.
3/ FEES FOR INSPECTION OF MOTOR-VEHICLE FUEL, WHEREVER POSSIBLE, FEES FOR INSPECTION OF KEROSENE AND OTHER NON-MOTOR-VEHICLE FUELS HAVE BEEN ELIMINATED.
4/ INCLUDES FEES FOR MOTOR-BUS, CARRIER PERMITS, REFUND OR CORRUPTION PERMITS, AND MISCELLANEOUS UNCLASSIFIED RECEIPTS.
5/ REBATES FROM TAX ON LUBRICATING OIL, $781,000, NOT INCLUDED IN THIS TABLE.
6/ OHIO IMPOSES A 3-CENT TAX ON MOTOR-VEHICLE FUEL AND A 1-CENT TAX ON ALL LIQUID FUELS, THE RECEIPTS FROM THE 1-CENT TAX APPLICABLE TO NON-MOTOR-VEHICLE FUELS, $96,000, HAVE BEEN ESTIMATED AND DEDUCTED FROM THE TOTAL GIVEN, WHICH REPRESENTS 4-CENT TAX ON MOTOR-VEHICLE FUEL.
7/ WEIGHTED AVERAGE RATE.

Table 3

NUMBER OF GASOLINE TAX REFUND CLAIMS FILED AND PAID - 1938

State	Total Number of Separate Claims Filed	Total Number of Claims Paid
Alabama	None	None
Arizona	a	a
Arkansas	None	None
California[b]	81,716	81,761
Colorado	73,910	73,645
Connecticut	9,105	9,094
Delaware[c]	a	7,174
Florida	None	None
Georgia	None	None
Idaho	25,000[d]	24,399
Illinois	152,876	146,100
Indiana[c]	a	190,282
Iowa	289,864	287,188
Kansas[e]	900,000[d]	900,000[d]
Kentucky	None	None
Louisiana	None	None
Maine	11,383	11,273
Maryland	68,328	68,328
Massachusetts	29,357	29,171
Michigan	123,668	122,706
Minnesota	266,172	265,600
Mississippi	12,462	11,983
Missouri	a	52,387
Montana	43,368	40,092
Nebraska	a	723
Nevada	a	2,759
New Hampshire	7,165	7,143
New Jersey	60,670	59,562
New Mexico	20,580	20,580
New York	72,349	71,914
North Carolina	16,728	16,131
North Dakota	69,607	66,154
Ohio	171,101	170,069
Oklahoma	183,191	183,191
Oregon	39,579	38,282
Pennsylvania	158	67
Rhode Island	3,160	3,149
South Carolina	a	a
South Dakota	60,422	51,804
Tennessee	368	368
Texas[f]	189,360	187,530
Utah	None	None
Vermont	None	None
Virginia	75,000[d]	56,143
Washington	a	64,050
West Virginia	4,982	4,982
Wisconsin	a	185,590
Wyoming	42	42
District of Columbia	a	865

Source: Replies to questionnaire.

a. Information not available.
b. Figures include activities of both the Board of Equalization, Motor Fuel Tax Division, which levies and assesses gasoline taxes, and the State Controller, who administers refunds.
c. Figures are for year ending June 30, 1938.
d. Approximate.
e. Figures are for year ending May 31, 1938.
f. Figures are for year ending August 31, 1938.
e. Year ending May 31, 1938. Kansas does not have refund system, but employes exemptions solely, included here for comparative purposes.
f. Year ending August 31, 1938.

Table 4

NUMBER OF EMPLOYES AND ANNUAL COSTS OF ADMINISTRATION OF GASOLINE TAX AND REFUND UNITS - 1938

State	Average Number in		Cost of Administering	
	Gasoline Division	Refund Work	Gasoline Division	Refunds
Alabama	18 to 20	None	$ 81,011	None
Arizona	a	a	a	a
Arkansas	12	None	a	None
California[b]	71	22	161,035	$48,490
Colorado	8 & 8 P.T.[c]	14 & 8 P.T.[c]	35,440	44,031
Connecticut	22	6	40,690	11,580
Delaware[d]	6	3	11,486	5,700[e]
Florida	6	None	20,000	None
Georgia	15	None	47,500[e]	None
Idaho	3	4	7,000[e]	8,000[e]
Illinois	57	15	192,500	f
Indiana[d]	37	24	78,970	a
Iowa	26	13	90,000	36,000
Kansas[g]	163	34	350,000[e]	75,000[e]
Kentucky	1	None	18,800[e]	None
Louisiana	28	None	87,000	None
Maine	5 & 2 P.T.[c]	1 & 2 P.T.[c]	16,687	2,500[e]
Maryland	10	6	28,384	15,568
Massachusetts	5	3	10,054	f
Michigan	90	27 & 27 P.T.[c]	a	a
Minnesota	33 & 13 P.T.[c]	26 & 6 P.T.[c]	136,158	62,521
Mississippi	a	a	110,132	72,378
Missouri	22	4	64,055[d]	5,742
Montana	7	3	5,400[d]	6,800[c]
Nebraska	27	1	100,000	1,200
Nevada	2	.5	3,750[e]	a
New Hampshire	1	2	2,994	3,832[e]
New Jersey	91	23	248,165	52,812[e]
New Mexico	25	8	74,353	9,466[h]
New York	42	26	107,112	f
North Carolina	9	f	23,489	9,396[e]
North Dakota	a	5	a	10,000[e]
Ohio	90[d]	30	206,335[d]	67,935
Oklahoma	52[d]	28	74,027[d]	a
Oregon	15	10	38,305	25,918
Pennsylvania	110	5 P.T.[c]	a	1,500[e]
Rhode Island	8	3	14,060	2,100[e]
South Carolina	a	a	a	a
South Dakota	7	7	22,610	11,247
Tennessee	4	a	11,969	f
Texas[i]	120	22	440,477	75,019
Utah	3	None	14,252	None
Vermont	2 P.T.[c]	None	3,000[e]	None
Virginia	15	5	25,000[e]	a
Washington	9	7	22,000[e]	26,030
West Virginia	4	2	11,993[d]	a
Wisconsin	11	18	34,000[e]	36,000[e]
Wyoming	3	None	13,868	a
Dist. of Columbia	a	3	a	a

Source: Replies to questionnaire and state reports.

a. Information not available.
b. Figures include both the Motor Vehicle Fuel Tax Division and an appropriate portion of the State Controller's office.
c. "P.T." refers to part-time employes.
d. Year ending June 30, 1938.
e. Approximate.
f. Included in previous column.
g. Kansas employs exemptions solely, rather than refunds.
h. Includes only salaries; other expenses are not allocated to cost of administering refunds.
i. Year ending August 31, 1938.

Table 5

USES OF GASOLINE ON WHICH REFUNDS WERE PAID IN NINE STATES - 1938

State	Total	Governmental	Agriculture	Aviation	Contractors, Construction & Road Bldg.	Commercial Industrial and Mining	Railroads and Boats	Other Refunds
Delaware	$ 116,100	$ 14,900	$ 62,700	$ 1,900	$	$ 27,900	$ 7,500	$ 1,200
Iowa	2,160,000	5,900	1,728,000	5,000	35,000		115,000	271,100
Maine	197,352		53,693	5,838		20,948	63,252	53,621[b]
Michigan	1,301,101	212,402	567,761	5,592	126,588	314,674	51,379	22,705
Minnesota	2,667,712	34,279[c]	2,334,942	6,892		201,838	12,204	77,557
Nevada	77,069	668[d]	17,005	14,297	7,880	33,515	2,817	887
New Hampshire	99,802	450	23,574	2,253	19,427	36,619	16,624	855
North Dakota	1,292,183	8,507	1,274,982		1,286	7,408		
Texas	6,871,362	497,972[e]	4,640,414	147,522	374,023	614,717	144,642	452,072

Source: Replies to questionnaire.

a. Federal government is excluded.
b. Includes refunds of $51,374 on gasoline used in stationary engines.
c. Includes refunds of $24,459 on gasoline exported.
d. Includes refunds on gasoline exported.
e. Includes refunds of $123,342 on gasoline exported.

Table 6

DIVERSION OF GASOLINE TAX REVENUES

Year	Amount Diverted	Percentage of Gasoline Tax Collections
1927	5,296,921	2.04
1928	7,860,516	2.57
1929	9,260,562	2.14
1930	13,907,302	2.81
1931	18,081,208	3.37
1932	46,289,444	9.02
1933	53,488,050	10.32
1934	89,630,046	15.85
1935	111,246,241	18.03
1936	129,172,000	18.90
1937	130,918,000	17.00
1938	121,448,000	15.71

Source: 1927-1937, Finla G. Crawford, Motor Fuel Taxation in the United States, p. 69; 1938, computed from Public Roads, Table G-3, 1938, "Disposition of State Motor-Fuel Tax Receipts - 1938," as revised November, 1939.

ACKNOWLEDGEMENTS

This report on gasoline tax refund administration is based in large part upon the experiences of the gasoline tax officials of the country.

The information furnished by these officials, together with material derived from research into various legal and administrative sources, was compiled and the report drafted in the first instance by Maurice Criz, Research Assistant, working under the direction of Charles Conlon, Research Director of the Federation of Tax Administrators. David Saxe of the Federation's staff edited the manuscript and prepared it for publication.

The United States Bureau of Public Roads kindly furnished the research staff with additional statistics and permitted the reproduction of Tables 1 and 2, found on pages 25 and 26 of the report. Before publication, the report was read and criticized by a list of state gasoline tax administrators too long to enumerate, and to these officials the staff of the Federation of Tax Administrators is particularly grateful.

It would be appreciated if those who read this report would communicate to the Federation of Tax Administrators current information on the subject of gasoline tax refunds.

Albert Lepawsky
Executive Director,
Federation of Tax Administrators

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Materials and publications dealing with other phases of gasoline taxation, which are available from the Federation of Tax Administrators, include:

Taxation of Gasoline in the Tanks of Interstate Trucks and Buses under State Gasoline Tax Laws Having Privilege Tax Features (February, 1939) Research Memorandum No. 83

Present Status of the Problem of Taxing Gasoline on Federal Reservations (October, 1938) Research Memorandum No. 61

Gasoline Tax Exemptions for Local Authorities (Revised February, 1939) Research Memorandum No. 60

Comparative Statistics on Gasoline Tax, Gasoline Consumption, Roads, and Automobiles in Various Countries (October, 1938) Research Memorandum No. 59

Definition of Distributor under Motor Fuel Tax Laws (May, 1938) Research Memorandum No. 30

Definition of Terms "Sales" and "Use" as Found in Motor Fuel Tax Acts, with Special Reference to Taxation of Stolen Goods (January, 1938) Research Memorandum No. 12

Statutory Provisions Regulating Gallonage of Motor Fuels which May Be Carried into State Tax Free in Fuel Tanks of Motor Vehicles (December, 1937) Research Report No. 1

Current developments in the field of gasoline taxation are reviewed monthly in Tax Administrators News, the organ of the Federation of Tax Administrators.

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